



STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'
PLAN 2 RETIREMENT BOARD**

P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • FAX (360) 586-2329

REGULAR BOARD MEETING
December 16, 2009

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on December 16, 2009.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Darla Hartley
Pat Hepler
Jeff Holy
Mark Johnston
Ryan Martin
Representative Geoff Simpson (via teleconference)

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Tim Valencia, Senior Research and Policy Manager
Greg Deam, Senior Research and Policy Manager
Yashonda Wilson, Senior Office Assistant

Guests:

Matt Smith, State Actuary
Lisa Won, Associate Pension Actuary

Board Members Not Present:

Greg Cuoio
Glenn Olson

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:43 a.m. The members took a moment of silence to honor those who had fallen since the last time the Board met, specifically Sergeant Mark Renniger and Officers Ronald Owens, Tina Griswold, and Greg Richards of the Lakewood Police Department who were shot and killed in the line of duty.

1) November 18, 2009 Board Meeting Minutes

It was moved that the November 18, 2009 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) Service Credit for Shared Leave – Final Proposal

Greg Deam, Senior Research and Policy Manager presented the Final Proposal on *Service Credit for Shared Leave*. The proposal had been discussed in previous meetings so the Board was just provided background information and a brief summary of the proposal.

The Board moved to endorse legislation for the 2010 Legislative session that would treat employer authorized shared leave as earnable compensation. Seconded.

MOTION CARRIED UNANIMOUSLY

3) Duty Related Death Benefits

Greg Deam, Senior Research and Policy Manager provided a presentation on *Duty-Related Death Benefits*. Mr. Deam went into detail explaining the different benefits included in the bill. The benefits discussed were:

1. Benefit Choice
2. Survivor Reduction Factors
3. 10% Minimum Pension Benefit
4. \$150,000 Duty Related Death Benefit
5. Prohibition of Remarriage
6. Educational Benefits

Mr. Deam then explained how the bill will impact the Washington State Patrol and the retroactivity of the six benefits.

The Board moved to endorse the Duty Related Death Benefit proposal in the 2010 Legislative session. Seconded.

MOTION CARRIED UNANIMOUSLY

PUBLIC TESTIMONY

Members of the public, Davor Jurassic, Bill Hanson, Jamie Daniels, and Renee Maher all commented in support of the Duty Related Death Benefit legislation.

4) Purchase of Annuity – Final Proposal

Greg Deam, Senior Research and Policy Manager presented the Final Proposal on *Purchase of Annuity*. Because the proposal had been discussed in previous meetings, Mr. Deam provided the Board with background information and a brief summary of the proposal.

The Board moved to hold the topic of Purchase of Annuity until the next interim. Seconded.

MOTION CARRIED UNANIMOUSLY

5) Health of Retirement Systems Follow-Up

Lisa Won, Associate Pension Actuary presented the Health of Retirement Systems Follow-up. Ms. Won updated the Board on the status of the Select Committee's risk assessment work and where they are at in the process. She also walked through an example of how the risk assessment process works. The process includes four phases –Identify, Measure, Analyze, and Manage. Ms. Won presented three options:

1. Continue to monitor progress of SCPP's Risk Assessment
2. Use model developed in SCPP's Risk Assessment with minor customization for LEOFF 2
3. Begin independent Risk Assessment customized for LEOFF 2

6) LEOFF 1 Funded Status and Funding Policies

Matt Smith, State Actuary presented the LEOFF 1 Funded Status and Funding Policies. Mr. Smith's presentation was done in three parts.

1. Review of LEOFF 1 history
2. Health assessment
3. Prognosis

Mr. Smith concluded that today's health challenges for pensions are unprecedented. LEOFF 1 is healthy today, but may require future contributions to maintain health. Optimistic, expected, and pessimistic investment outlooks were shown. Lastly, there are opportunities to further safeguard the plan's health.

7) Coordination of Funding and Investment and Benefit Policies

Steve Nelsen, Executive Director, provided a briefing of the Coordination of Funding and Investment and Benefit Policies. Director Nelsen focused on the interactions between the three policies. Director Nelsen presented five tactics for the Board to consider.

1. Participate in actuarial risk assessment study

2. Legislation for 2011
3. Update strategic plan
4. Develop strategic communication plan
5. Develop SIB coordination plan

The Board moved that the LEOFF staff take action on four of the five tactics, not including the legislation for 2011. Seconded.

MOTION CARRIED UNANIMOUSLY

8) Administrative Update

- **Select Committee on Pension Policy (SCPP)**
Director Nelsen updated the Board on the latest meeting of the Select Committee on Pension Policy.

9) Medicare Informational Briefing

Tim Valencia, Senior Research and Policy Manager presented an informational briefing on *Medicare Access*. Mr. Valencia informed the Board on what the federal and state laws state about Medicare Access to LEOFF 2. He also shared the Divided Referendum Process.

10) Payment of Medical Expenses – Initial Consideration

Tim Valencia, Senior Research and Policy Manager presented an Initial Consideration on the *Payment of Medical Expenses*. Mr. Valencia explained the current situation and the issues. A 401(h) account may need to be established to meet the Federal Law requirements for the payment of medical expenses out of a qualified pension plan.

The Board moved that the LEOFF staff research the pros and cons about moving forward in the 2010 interim and bring back to the Board at a future meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

11) Executive Director Evaluation

Members of the Board went into Executive Session to discuss the evaluation of Steve Nelsen, Executive Director. The Board concluded that Mr. Nelsen received a positive evaluation.

12) Agenda Items for Next Meeting

The members have not determined if a meeting will take place during January due to the start of Legislative session.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for January 27, 2010 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 1:21 p.m.